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C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 000409

SIPDIS

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DEPT FOR EUR/RUS, FOR EEB/ESC/IEC GALLOGLY AND WRIGHT
EUR/CARC, SCA (GALLAGHER, SUMAR)
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TAGS: [EPET](#) [ENRG](#) [ECON](#) [PREL](#) [RS](#)
SUBJECT: AUSTRIAN EMBASSY SASY OMV COMMITTED TO NABUCCO,
RUSSIA A STRATEGIC PARTNER

REF: A. BERLIN 0153
[1](#)B. 07 VIENNA 2853

Classified By: Econ MC Eric Schultz for Reasons 1.4 (b/d)

Summary

[1](#)1. (C) Austrian Embassy Political-Economic Counselor Reimund Magis told us February 11th that Austria is committed to the Nabucco project and to diversification of Europe's gas sources. That said, Austria viewed Russia as a "strategic partner" on energy issues and planned to continue to carefully draw Gazprom and Russia further into mutual dependence with Europe. End Summary.

Nabucco and Route Diversification

[1](#)2. (C) Magis said Austrian energy company OMV and the Austrian government are fully committed to the Nabucco pipeline project. He said the recent inclusion of Germany's RWE (ref A) opens up additional potential markets for gas from Nabucco, perhaps extending to northwest Germany. He claimed Nabucco is further along in planning than South Stream, and even, to some extent, Nord Stream.

[1](#)3. (C) According to Magis, diversity of gas sources is not just a political ideal, but a necessity as Russia alone cannot supply the growth in European gas demand. Moreover, gas disputes and threatened disruptions between Russia and Ukraine have been "too frequent", making diversification of routes (in addition to sources) important. Energy security, the potential for accidents in aging systems, European demand increases, and high prices all put a premium on diversification.

[1](#)4. (C) Magis suggested that quiet diplomacy on our part in favor of diversification would be more helpful than public advocacy. He added that while the U.S. is largely a market bystander in the Russia-EU energy relationship, U.S. support is crucial, especially on difficult issues like Turkish transit policy and Iraqi gas flows.

Russian-Austrian Energy Partnership

15. (C) Magis described Austria's energy (especially gas) relationship with Russia as "strategic" and "long-standing," noting that it dates back over 50 years. Based on mutual dependency, he predicted it will continue. Austria is at the "heart" of the routes Gazprom uses to access Europe and "they need us". He stressed, however, that Austria is "not naive;" that it wants Gazprom as a partner but will preserve its independence -- "we think we can handle them." Austria is being "very careful about what we sell them," but like many European countries Austria is gauging how best to integrate Gazprom as the company attempts to secure access to lucrative downstream markets.

16. (C) Magis observed that the pendulum of opinion in Europe is swinging away from the "wide open doors" seen under previous German Chancellor Schroeder to a more cautious approach in which the Russians are "invited where they are useful." Meanwhile, Russian rhetoric is beginning to change from "simple chest-thumping" to "realism" about mutual dependency.

Baumgarten Deal

17. (C) Referring to the Baumgarten deal (ref B), Magis described it as a gesture of goodwill toward Russia that cost OMV very little. He said the economic value is minimal to OMV (\$1-2 million per year), and all physical facilities will remain under Austrian control. Magis said it is another example of a joint venture where Gazprom has less than a

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controlling stake. In addition, he said the Baumgarten deal should not threaten Nabucco in any meaningful way, because as a trading hub through which essentially anyone's gas can traverse, Gazprom's ability to influence those flows would likely be marginal at best.
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